



**DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108**

18 December 2002

**REPLY TO
ATTENTION OF**

Mr. Robert A. Robinson
Managing Director, Natural Resources and Environment
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Robinson:

This is in final response to the June 2002 GAO report entitled "Delaware River Deepening Project: Comprehensive Reanalysis Needed."

We appreciate the opportunity that GAO provided to the Department of the Army to comment on your draft report as well as GAO's cooperation with the Army Corps of Engineers in providing clarification of issues and conclusions.

In my May 29, 2002, letter to you, I concurred in your recommendation that a new and comprehensive economic analysis of the project benefits and costs be undertaken. I additionally concurred that once the economic reanalysis is complete, an external independent party be engaged to ensure that it accurately and fairly represents expected benefits and costs of the proposed project. The Corps has completed its reanalysis and I will describe the actions that have been under taken in completing the reanalysis and review.

An economic reanalysis was commenced by the Philadelphia District Engineer under contract with the economic consulting firm of David Miller and Associates and completed on December 4, 2002. The reanalysis was an entirely new analysis of the costs and benefits of the authorized 45-foot project which included development of new economic models, historic vessel traffic and port development information, and new commodity forecasts. This effort included an in-depth crude oil and container analysis representing these primary benefit categories, as well as critical sensitivity analyses of these and other commodities. The North Atlantic Division provided continual oversight of the reanalysis and continuous quality assurance. The Division arranged for independent technical review (ITR) of the benefit analysis, which was provided by an expert academician outside the Philadelphia District. Similarly, ITR of the cost analysis was provided by an outside engineering and design firm.

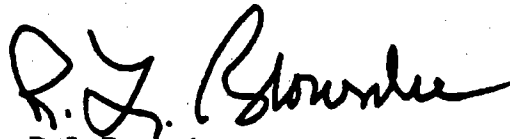
During preparation of the reanalysis, the Headquarters of the Army Corps of Engineers directed the Corps Institute for Water Resources (IWR) to engage an external independent party to review all documents, assumptions, economic models, and actions leading to the preparation of the final district report. IWR engaged the firm of Planning

Management Consultants Limited (PMCL) to establish a panel of experts to conduct the external independent review. PMCL constituted an independent panel of navigation and economic experts to perform peer review. The panel was comprised of two academicians, with expertise in national economic development analysis and commodity transportation, and an expert in navigation from the private sector.

The enclosed findings from the Director of Civil Works provides the entire record including the report of the Philadelphia District, the external independent review report, and the complete documentation of issues raised and their resolution during the Headquarters review of the proposed Delaware Deepening project.

The entire record of these findings will be posted to the Corps website for public access and information.

Sincerely,

A handwritten signature in black ink, appearing to read "R. L. Brownlee". The signature is fluid and cursive, with the first name "R. L." and the last name "Brownlee" clearly distinguishable.

R. L. Brownlee
Acting Assistant Secretary
of the Army (Civil Works)